

Think Ahead

ACCA

ACCA's support for the
United Nations Global
Compact for the year
ended 31 October 2015

Public value in action

Communication
on Engagement

The ten principles of the UN Global Compact

Human Rights

- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 2 Businesses should make sure they are not complicit in human rights abuses.

Labour

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 Businesses should eliminate all forms of forced and compulsory labour.
- 5 Businesses should promote the abolition of child labour.
- 6 Businesses should eliminate discrimination in respect of employment and occupation.

Environment

- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 Businesses should undertake initiatives to promote greater environmental responsibility.
- 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Chief executive's statement

ACCA's public value mission is at the heart of everything we do as a professional accountancy body. We define public value as:

- acting in the public interest
- promoting ethical business and
- supporting economic growth.

The primary way in which we deliver this is through a supply of ACCA qualified professional accountants, all of whom are trained and regulated to the same high standard of ethics, conduct and practice globally.

It is by making our 178,000 members and 455,000 students across the world aware of the need to embrace responsible and sustainable business practice, as professionals and aspiring professionals, that we make our most significant contribution to the principles of the UN Global Compact.

This Communication on Engagement shows how we support the UN Global Compact through the education and training we provide to our members and students. It also covers some of the wider work we undertake as a global professional body to support and develop business and the profession, beyond our own members.

Through this Communication on Engagement, I am pleased to confirm that ACCA supports the ten principles of the UN Global Compact with respect to human rights, labour, environment and anti-corruption. With this commitment, we express our intent to continue to advance these principles within our sphere of influence and make a clear statement of this commitment to our stakeholders and the general public.

We also pledge to take part in the activities of the UN Global Compact where appropriate and feasible, such as participation in country/local networks, involvement in specialised initiatives and workstreams, engagement in partnership projects, and reviewing and providing commentary to participating companies on their Communications on Progress.



Helen Brand OBE
Chief Executive

October 2015



Education and learning that creates greater opportunity and more responsible professionals

Values, ethics and good governance are essential skills for finance professionals. It is important to ACCA that we ensure all our students – irrespective of which qualification they are studying for, and to which level they wish to take their career – understand what it means to work and act professionally and ethically and bring this into their workplace.

This is why ACCA has adopted a holistic approach to ethical development via its exam syllabus, the Practical Experience Requirement and the Professional Ethics Module – all of which our students must complete in order to obtain the ACCA Qualification.

We also ensure that students on our lower-level qualifications have a solid grounding in professionalism and ethics, through our Foundations in Professionalism module. This is an online, interactive component of the qualifications, designed to help you develop your understanding of what it means to act professionally and ethically in the work you carry out.

INITIATIVE

Professional Ethics module: as part of their ethical development, all ACCA Qualification students are required to complete a Professional Ethics Module before being admitted to membership. This provides students with exposure to a range of ethical perspectives and includes several self-tests which require our students to reflect on their own ethical behaviour and values.

In February 2015, we enhanced our Professional Ethics module to make it more interactive, more accessible and improve self-awareness. Students now need to answer a required number of questions correctly before they are able to move onto the next section. Students can also see which questions they answered incorrectly, helping them identify strengths and weaknesses and allowing them to learn more effectively, and consequently increasing their ethical knowledge. Through a business ethics quiz within the module, they are now also expected to demonstrate sufficient business ethical judgment by making appropriate decisions in response to a range of accounting-related scenarios. Feedback is given about where they may have demonstrated insufficient professional judgement, helping them reflect on the responses provided.

Additionally, to help develop ethical self-awareness, we replaced the reflective statement at the end of the module with a more interactive ethics diagnostic test. This new activity is designed to help students better understand their ethical behaviour.

IMPACT

In the past year to date, we have admitted a record **11,468** new members globally.

We are delighted that students are finding our revised PEM both interactive (86% of students agreed or strongly agreed the PEM is interactive) and of good quality (92% of students agreed or strongly agreed the PEM is good quality).

Education and learning that creates greater opportunity and more responsible professionals

INTEGRATED REPORTING IN OUR SYLLABUS

In December 2014, we became the first international professional accountancy body to examine integrated reporting in our qualification. Our comprehensive embedding of integrated reporting at the final stage of the ACCA Qualification was introduced as the International Integrated Reporting Council (IIRC) launched its integrated reporting framework as a template for more responsible, meaningful and forward-looking reporting.

Most of the elements related to the practice of integrated reporting were already included in our global syllabus, but we decided to bring them together and include integrated reporting as part of our assessment going forward. We believe this is an important area where ACCA members can show their leadership for the future, at the heart of long-term value creation and stewardship for their organisations.

SUPPORT FOR THE ETHICS IN FINANCE – ROBIN COSGROVE PRIZE

During 2015, ACCA has provided enhanced support for the Robin Cosgrove Prize for Ethics, an award established five years ago to improve ethics in the financial sector. Along with the Accenture and the CFA Institute, ACCA is a main supporter of the prize. We organised and sponsored the launch event for the fifth edition of the prize in Brussels with MEPs Othmar Karas and Kay Swinburne at the European Parliament, with ACCA's former head of small business and professor of accounting at Brunel University sitting on the jury. ACCA also supported the awards ceremony in September 2015, which was held at the International Monetary Fund in Washington DC and featured Christine Lagarde, managing director of the IMF as a guest speaker.

INITIATIVE

Integrated reporting is gaining support around the world as a practical and useful reporting framework to enhance the quality and relevance of corporate reporting. The next stage in this process is for professional accounting programmes to support the wider adoption of these principles by developing their curricula accordingly. To lead this initiative, ACCA incorporated learning outcomes relating to the suggested outcomes of an integrated report, examining this for the first time in December 2014.

More explicit coverage of the IR and terminology around content elements and/or guiding principles are now incorporated within the ACCA syllabuses at the Professional level. In particular, Papers P1 and P2 now contain content around what the benefits to stakeholders are of preparing IR and how this relates to the agency concept and how it is defined. Paper P2 additionally may need to assess examples of how a typical integrated report might be prepared.

Significant sections of Papers P3, P4 and P5 that already included integrate reporting were enhanced and more prominently highlighted. Paper P7 now addresses audit and assurance issues relating to an IR report, but specific content relating to audit may emerge and develop further, once an accepted format of such a report emerges more clearly, through adoption and practice.

IMPACT

In December 2014, **8,282** students completed their final exams. In June 2015, **7,886** students successfully completed their final exams.

INITIATIVE

Finance in Ethics – Robin Cosgrove Prize 2015

IMPACT

The fifth annual prize received 236 expression of interest from 55 countries, 11% of which cited ACCA's promotion and awareness-raising as the reason for their interest.

Education and learning that creates greater opportunity and more responsible professionals

ACCOUNTING FOR SUSTAINABILITY 10TH ANNIVERSARY SURVEY

In December 2014, we conducted a global survey on the awareness of, and attitudes to, global macro-sustainability trends amongst the next generation of finance professionals, on behalf of the Prince of Wales Accounting for Sustainability (A4S) project to mark the project's 10th anniversary.

INITIATIVE

The 10th anniversary survey, conducted by ACCA on behalf of A4S, asked ACCA students from around the world for their views on how sustainability and business would intersect over the next 10 years.

IMPACT

4,747 ACCA students in 126 countries took part in the survey, providing their views on the challenges business will face in the next ten years. The key findings included:

- 81% said that decline in natural resources would be the main impact on business by 2024, with 70% citing population rise as the principal challenge
- 87% of respondents said that finance and accounting professionals will need to provide businesses with more decision-making insights than today and 79% said that sustainability issues will be more prominent in business
- 68% said that sustainability considerations would impact their everyday working life
- 54% said that finance and accounting professionals would be much more involved in integrating sustainability issues into business in the future.

Education and learning that creates greater opportunity and more responsible professionals

ACCA-X: FREE ONLINE LEARNING

In April 2015, we launched ACCA-X, our first major venture in online learning for students, providing additional support for existing students and opening up access to learning to anyone interested in accountancy and business. ACCA-X was developed in partnership with edX with content developed by Epigeum, a spin-off company associated with Imperial College London.

In order to facilitate the spread of financial literacy and make learning available to anyone in the world with online access, we began the programme with free courses in introductory and intermediate financial and management accounting.

INITIATIVE

Free courses in introductory and intermediate financial accounting and management accounting

IMPACT

To date, **42,836** learners have completed the free courses from **202** countries. A further 10,290 learners have registered for the second cycle of free course to date.

The courses have been used by a variety of students to advance sustainable development in their countries and overcome cultural and economic barriers to learning:

"As a senior national trainer of Afghanistan Institute of Banking and Finance, serving the financial sector of Afghanistan, I am eager to complete online course related to challenges of global poverty. Completing this course will enable me to deliver fruitful courses and workshops for the employees of Afghanistan micro finance institutes who attend my micro finance courses and workshops"

"I did an internship in the Delegation of the EU in Quito in areas of cooperation and I'm currently following a two year Master in Sustainable Territorial Development.... I'm very interested by the topic and would like to acquire even more precise skills concerning project management. It is also a way to see what are the exact standard of the institutions responsible for the financing and monitoring of development projects."

"I have always been keen to study but as I grew up in India and as a female, my education was not considered of any value to the family or the community. So I was not given the opportunity to do so. The possibility of not having to incur any costs and simultaneously to fulfil a lifelong ambition is exciting."

Professional insights that encourage more responsible business practice

In the past 12 months, we have produced a range of professional insights work that promote better and more sustainable business practice. Every professional insights piece is available free of charge online, accessible through an improved online search function, and promoted widely to members, employers and other stakeholders around the world.

All our insights are also showcased through our twice-yearly Accountancy Futures journal, which summarises critical issues in the profession and for the global economy. Accountancy Futures is distributed to the wider global business community through our global network of 95 offices and centres.

ACCOUNTING FOR CHILDREN: IMPLEMENTING CHILD RIGHTS FOR BETTER BUSINESS (November 2014)

The first of three briefing papers which focus on child rights in the workplace. It shows that protecting children's rights is good for business and that if business and finance leaders fail to take account of children's rights, they run ethical, reputational and legal risks that will also affect their bottom line.

CULTURE AND CHANNELLING CORPORATE BEHAVIOUR (November 2014)

This series of four reports, produced as the output of a joint ACCA and UK Economic and Social Research Council research project, aim to assist boards in preparing to assess their corporate culture and in understanding how it can influence both functional and dysfunctional behaviour.

CULTURE VERSUS REGULATION: WHAT IS NEEDED TO IMPROVE ETHICS IN FINANCE (December 2014)

The paper summarises discussions that took place at an ACCA roundtable in London in October 2014, which brought together regulators, economists, academics and representatives from think tanks, banks and accountancy firms.

Participants noted that the issue of ethics in finance has become more dominant within both banks and large firms but they supported the need for all businesses to embed ethics in their decision making as every business operates within an 'ecosystem'. Several participants noted that ethical situations need to be tested out, placing people in scenarios so that they truly consider the opportunity cost of acting unethically, noting that embedding ethics cannot be achieved merely by passing a test but must involve understanding what it means to act and behave ethically.

There was an understanding that in a post-crash world, the financial sector regulators should have a greater duty to the consumer because of the lack of understanding and the mistrust that has created apathy, but should also recognise that, by working together with the financial services sector, regulators can help foster innovation. The banks must sit alongside the regulator and change their culture from within, both encouraging and rewarding ethical behaviour. The rise of technology and alternative finance will create new challenges but also has the potential to bring positive results.

INCREASING GENDER DIVERSITY TO BOOST PERFORMANCE (March 2015)

This paper presents the value of gender diversity in business. It aims to help CFOs, senior finance professionals and HR professionals working alongside finance teams, to understand the value of gender diversity and make the business case for diversity to their peers.

THE DRIVERS OF AUDIT QUALITY (March 2015)

ACCA and Macquarie University investigated perceptions of CFOs, auditors and company directors on the drivers of audit quality.

The reputation of the audit profession has suffered somewhat over the past decade. Maintaining audit quality and restoring trust in the audit function after the global financial crisis and corporate collapses has thus become a priority, with regulators introducing reforms aimed at re-establishing confidence in the financial reporting system.

Given these events, there is renewed awareness that the reliability of financial reporting by individual firms is crucial to their economic well-being, and that a high-audit quality promotes overall market confidence.

Professional insights that encourage more responsible business practice

ACCA believes it is vital that we continue to explore the dynamic interaction between the audit process and its various stakeholders, and ways to enhance the value that audit brings to business and society. Practical, real-world research will enable regulatory changes to be more effective, by being evidence-based.

Research has shown that stakeholders' perceptions of audit quality are critical to maintaining effective and efficient capital markets, and to building confidence and trust in financial reports, which in turn, is crucial for the economic success of both established and emerging firms.

It is also important to audit firms to deliver high-quality audit: it protects brand name and reputation, and relatedly, the ability to attract new clients and retain existing ones.

STABILITY IN TAX (May 2015)

Managing change in the tax system is a concern for taxpayers and governments alike. A stable and consistent system, imposing predictable tax bills and administrative burdens from one year to the next, will encourage economic growth. But starting with imperfect systems against the backdrop of an evolving world, some change is inevitable.

This report analyses how best to approach that change, and the steps policymakers should take to best address the wider needs of society through the tax system.

GOVERNANCE FOR ALL: THE IMPLEMENTATION CHALLENGE FOR SMEs (June 2015)

This report aims to encourage understanding of what corporate governance means for SMEs. It draws extensively on materials presented and discussed at a joint ACCA and UK ESRC seminar in November 2014 and incorporates the view of ACCA's Global Forum for SMEs.

INNOVATION, INTANGIBLES AND INTEGRATED REPORTING: A PILOT STUDY OF MALAYSIAN SMEs (July 2015)

By applying asset measurement techniques to a sample of SMEs, insights were obtained into the issues likely to be faced by the sector in identifying investment and return on innovation, taking into account the considerable overlap between the NCII framework and the areas that need to be quantified and understood for the purposes of Integrated

Reporting. The report identifies gaps in awareness levels of the extent and importance of knowledge-based assets among accounting professionals and their SME clients. It lends weight to the view that conventional management reporting systems are not ideally suited to knowledge-centred business models, nor to the information needs of sophisticated investors. This report was launched at the 2015 ACCA Alternative Finance Conference in London

REPORTING ON CHILDREN'S RIGHTS (September 2015)

This report lays out the five key areas that companies should consider when reporting on their impact on children's rights, namely context and risk, policies and governance, integration and action, monitoring and review and remediation.

In addition, the paper provides examples from recent corporate annual and sustainability reports that demonstrate how some companies are addressing various aspects of the five-step process.

It follows a roundtable event convened by ACCA, which brought together a number of leading experts on human and child rights and reporting.

NATURAL CAPITAL AND THE ACCOUNTANCY PROFESSION (September 2015)

This report sets out the key roles and spheres of influence of the different subgroups in the accountancy profession and outlines next steps to further embed natural capital considerations within the accountancy profession and business at large.

All these reports, as part of 2,600 pages of free technical content, are made available to any stakeholders at:

www.accaglobal.com

ACCA's Global Forums – steering our thinking on responsible business

ACCA's Global Forums bring together groups of experts from business, public practice, the public sector and academia to discuss and advise ACCA on development in various technical agenda on an expressly global basis. The Global Forums meet between two and four times a year, using virtual meeting platforms and help inform ACCA's responses to consultations and our policy positions.

In terms of alignment with, and support for, the UNGC principles, the work of the following forums is most directly relevant:

- **Global Forum for Governance, Risk and Performance:** established to influence policy maker and regulators to create an appropriate environment for responsible, profitable business, this Forum works to show how professional accountants can support ethical, sustainable business and enhance their value to employers and other stakeholders.
- **Global Forum for Sustainability:** this Forum debates trends and developments in sustainability issues, building on ACCA's history of promoting transparency and accountability and the central role professional accountants play in sustainable business practice and reporting.
- **Global Forum for Ethics:** this Forum provides expert advice to inform ACCA's position on ethical issues. These include relevant technical matters where there are, or may be, ethical considerations.

Making sure our members uphold ethics and professionalism

ACCA works hard to ensure our members adopt the highest standards of practice and ethical conduct. This comprises six key areas of activity:

- standards and ethics
- licensing of practitioners
- regulation and monitoring of statutorily reserved areas of practice
- quality assurance of firms and the global quality assurance initiative
- investigation of complaints
- discipline in respect of standards or rule breaches.

ACCA's Code of Ethics and Conduct is binding on all members of ACCA, and also any partner (or director) in an ACCA practice. It is also binding on the staff of any such practice, regardless of whether or not they are members of ACCA or any other professional body. As an IFAC member body, ACCA is required to apply ethical standards that are at least as stringent as those stated in the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (the IESBA Code).

INITIATIVE

An annual compliance return confirming members have maintained, and where appropriate, developed their competence in ethics. Members who do not comply face strike off from ACCA's register.

IMPACT

In 2014-15, **98.3%** of existing members were retained, all of whom confirmed their adherence to ACCA's Code of Ethics and Conduct.

Supporting the integrated reporting movement

ACCA has been a passionate supporter of the integrated reporting movement and involved with the International Integrated Reporting Council (IIRC) since its inception in 2011. We joined the IIRC's pilot programme for progressive reporters in 2011 and in 2012, we became the first international professional body to publish an integrated report on its own performance. ACCA also provides office accommodation for the IIRC, as part of its support for integrated reporting.

In 2015, Helen Brand, ACCA's chief executive was appointed to the Board of IIRC and Alan Hatfield, ACCA's executive director – strategy and development took ACCA's place on IIRC's Council. In terms of new additional support for IIRC in 2015, our major contribution has been providing the financial and technical support to develop IIRC's draft <IR> competence matrix.

INITIATIVE

ACCA provided educational expertise to develop the draft <IR> competence matrix

IMPACT

The <IR> matrix is intended to provide clear guidance in the market as to the skills and experience necessary to be an effective practitioner in <IR> and was issued for discussion and comment in July 2015.

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our **178,000** members and **455,000** students in **181** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of **95** offices and centres and more than **7,110** Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

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